LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6983
BILL NUMBER: SB 460

NOTE PREPARED: Feb 2, 2015
BILL AMENDED: Feb 2, 2015

SUBJECT: Elder Law Matters.

FIRST AUTHOR: Sen. Miller Patricia
FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State

Summary of Legislation: This bill has the following provisions:

(1) Prohibits the Indiana State Department of Health (ISDH) from approving: (a) the licensure of comprehensive care health facilities; (b) new or converted comprehensive care beds; or (c) the certification of new or converted comprehensive care beds for participation in the state Medicaid program; through June 30, 2018.
(2) Makes exceptions for certain facilities that are: (a) under development; (b) small-house health facilities; (c) replacement facilities; (d) continuing care retirement communities; (e) facilities located in counties whose comprehensive care bed occupancy rate exceeds 90%; and (f) facilities that undergo a change of ownership for certain purposes.
(3) Limits small-house facilities to 100 new licensed or Medicaid-certified comprehensive care beds per year.

Effective Date: June 30, 2015; July 1, 2015; July 2, 2015.

Explanation of State Expenditures: *Summary*: This bill puts a moratorium on comprehensive care beds between FY 2016 and FY 2018, except in certain instances. If there is an increase in the number of new facilities in FY 2015 because of the moratorium, the workload of the ISDH could increase for a short period of time to license and survey new applicants.

The comprehensive care facility moratorium contained in this bill is expected to save state Medicaid expenditures by $2.2 M.

Additional Information: A December 2014 report estimates that 10 comprehensive care facilities will be built in the state over the next several years (27 comprehensive care facilities included in the report would more than likely be considered "under development" according to the language in bill). It is assumed that the moratorium created by the bill would impact these 10 future comprehensive care facilities.

The average number of comprehensive care beds reported for these 37 facilities was 71.5. Based on an estimated 10 facilities, the bill could limit the creation of an additional 715 comprehensive care beds in the state. Assuming an 80% occupancy rate, these 10 facilities could equal 572 utilized comprehensive care beds and 208,780 resident days.

The current maximum number of comprehensive care resident days available in the state was reported to be 17,747,538, with a reported average occupancy rate of approximately 80%. If these 10 new facilities were to operate at 80% as well, the state average occupancy rate could decline by 1.2%.

Based on estimates provided by Myers and Stuffer regarding the potential Medicaid impact for an occupancy rate decline of 4.4% caused by 27 facilities (an estimated $24.6 M fiscal impact), a decline of 1.2% from the projected 10 new facilities could increase total Medicaid expenditures by $6.7 M. The state portion of these costs are estimated to be $2.2 M.

In an October 2013 report, the FSSA reported that the moratorium on Medicaid-certified comprehensive care beds resulted in a statewide decline of over 500 beds during the five years it was in effect. The comprehensive care facility occupancy rate was also reported to be 80.26% during this time.

In December of 2014, there were a total of 527 comprehensive care facilities in the state. The numbers of licensed beds by certification status are provided in the following table.

Certification	**Beds**
Medicaid Only	1,307
Medicare Only	6,941
Medicaid & Medicare	42,620
Not Certified/Private	823
Total	**51,691**

Between FY 2016 and FY 2018, only replacement comprehensive care facilities and facilities that were under development before the start of the moratorium can be licensed. It is not known what impact a three-year moratorium may have on the overall workload on the ISDH and the FSSA.

Any increase in the number of facilities will impact the ongoing work of the ISDH's Division of Long-Term Care due to the accompanying increase in the number of surveys and administrative duties in support of the licensing program.

Explanation of State Revenues: *Summary*: This bill could increase General Fund revenue from nursing facility plan review fees during FY 2015 and FY 2016. Increases in revenue will depend on the number of comprehensive care facility applications are received during FY 2015 in order to qualify as "under development".

<u>*Additional Information*</u>: Nursing facility plan review fees are $150, and annual health facility license fees are $200 for the first 50 beds and $10 for each additional bed thereafter. Revenue received from these fees is deposited in the General Fund. Beginning in FY 2016, it is expected the state would receive revenue from these fees from facilities who were designated as under development by the end of FY 2015 and any other facilities who are eligible under one of the exempted categories in the bill. It is not known what impact the moratorium on comprehensive care facilities will have on revenue from plan review fees.

<u>Explanation of Local Expenditures:</u>

<u>Explanation of Local Revenues:</u>

<u>State Agencies Affected:</u> ISDH, FSSA.

<u>Local Agencies Affected:</u>

<u>Information Sources:</u> Joey Fox, ISDH; Grant Krevda, FSSA; Five-Year Plan to Reduce the Number of Medicaid Certified Comprehensive Care Beds, FSSA Report to Health Finance Commission, October 31, 2013; *Myers and Stauffer*, Review and Analysis of Skilled Nursing Facility Excess Bed Capacity and Healthcare Quality, December 1, 2014.

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